

Message Text

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PAGE 01 STATE 301364

60

ORIGIN EA-09

INFO OCT-01 IO-10 ISO-00 EB-07 COME-00 STR-04 FEA-01

AGR-05 CEA-01 CIAE-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

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COMMERCE:BMILLER

STR:SLANDE

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R 231529Z DEC 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

USMISSION GENEVA

AMEMBASSY TAIPEI

INFO AMEMBASSY TOKYO

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD, EGEN, XB, KS, TW

SUBJECT: GSP

REFS: A) SEOUL 9391; B) STATE 289331

1. THE PRODUCT REFERRED TO IN REFTEL A IS TSUS NUMBER
240.25 "PLYWOOD, FACE UNFINISHED". IN 1974 KOREA
SUPPLIED THE U.S. WITH 76 PERCENT OR 8.6 MILLION DOLLARS
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PAGE 02 STATE 301364

OF OUR IMPORTS WHILE THE ROC SUPPLIED 21 PERCENT OR

2.3 MILLION DOLLARS. ASSUMING THAT PRICE WAS THE ONLY DIFFERENTIATING FACTOR BETWEEN THE KOREAN AND ROC PLYWOOD (I.E., NO QUALITY OR DELIVERY TIME DIFFERENTIALS) AND THAT THE ROC HAS SUFFICIENT EXCESS CAPACITY TO MORE THAN TRIPLE ITS EXPORTS OF THIS ITEM TO THE U.S., IT IS POSSIBLE THAT GSP WILL OPERATE IN THE MANNER DESCRIBED IN REFTEL A; NEVERTHELESS, DISPARITY IN CURRENT PROPORTIONAL SHARES OF U.S. MARKET SUGGESTS THAT THESE OR OTHER FACTORS MAY DIFFER AND THEREFORE BEAR ON PRESENT OR PROSPECTIVE DECISIONS. KNOWLEDGE AMONG PRODUCERS AND PURCHASERS OF PROBABLE CHANGES IN APPLICABLE DUTIES WILL UNDOUBTEDLY ALSO AFFECT DECISIONS IN MARKETPLACE. PURPOSE OF GSP IS TO OFFER INCENTIVE FOR EXPANSION AND DEVELOPMENT NEW EXPORTS FROM LDC'S AND IN SITUATION OF THIS TYPE IT IS CONCEIVABLE THAT THIRD COUNTRY LDC SUPPLIERS COULD

ESTABLISH Foothold IN U.S. MARKET REGARDLESS WHETHER THEY SUPPLIED ANY OF REMAINING 3 PERCENT IN 1974. IN THIS EVENT, PROBABILITY ANY ONE COUNTRY SUPPLYING MORE THAN 50 PERCENT DIMINISHED AND IT IS POSSIBLE THREE OR MORE COUNTRIES COULD ENJOY EXPANSION OF EXPORTS UP TO 25 MILLION DOLLARS ABSOLUTE LIMITATION. WHETHER OR NOT ELIGIBLE STATUS PARTICULAR PRODUCT FROM PARTICULAR COUNTRIES ALTERNATES ANNUALLY, COMPETITIVE NEED LIMITATIONS ARE ONE OF SEVERAL REASONS WHY AS INDICATED IN REFTEL B LDC'S SHOULD LOOK TO BENEFITS TO BE OBTAINED THROUGH PARTICIPATION IN MTN, WHERE TARIFF CUTS WILL BE BOUND, PERMANENT AND AVAILABLE TO ALL COUNTRIES ENJOYING MFN STATUS.

2. WE UNABLE ESTIMATE HOW MANY OTHER PRODUCTS ON GSP MAY BE IN ANALAGOUS SITUATION OR WHAT RESULT OF MARKET DECISION WOULD BE SINCE ALL CIRCUMSTANCES UNLIKELY TO BE IDENTICAL IN MANY IF ANY CASES.

3. SECTION 504(C)(2) WHICH ALLOWS COUNTRIES TO BE RE-DESIGNATED IF IMPORTS IN ANY YEAR FALL BELOW COMPETITIVE NEED LIMITS IS DISCRETIONARY. WHILE WE ANTICIPATE IN MOST CASES COUNTRIES WOULD BE RE-DESIGNATED, ALL FACTORS WOULD BE CONSIDERED, INCLUDING FOR EXAMPLE SUCH LIMITED OFFICIAL USE

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PAGE 03 STATE 301364

CIRCUMSTANCES AS ENVISAGED REFTEL A SHOULD THEY OCCUR.

4. FYI: U.S. INDUSTRY HAS RAISED QUESTION OF 240.25 ELIGIBILITY FOR GSP WITH USG. WHILE ALSO CONCERNED ABOUT POSSIBILITY ANNUALLY ALTERNATING ELIGIBILITY OF SOUTH KOREA AND ROC, THEY MORE CONCERNED WITH TARIFF ANOMOLY SINCE RAW MATERIAL FOR ITEM IS NOT ON GSP.

5. APPRECIATE ANY ADDITIONAL INFO EMBASSY TAIPEI MAY
HAVE RE CAPACITY ROC INDUSTRY TO SUPPLANT KOREAN
SUPPLIERS. KISSINGER

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